EXHIBIT "3"

CALFEE, HALTER & GRISWOLD LLP
ATTORNEYS AT LAW

1400 McDonald Investment Center
800 Superior Avenue Cleveland, Ohio 44114-2688
216/622-8200 Fax 216/241-0816

Direct Dial No. 216/622-8376
E-Mail Address: swilson@calfee.com

September 13, 1999

Mr. Donald Hutchins
CPR Prompt Corporation
60 Brookdale Drive
Springfield, Massachusetts 01104

Dear Mr. Hutchins:

Following our recent conversation, I advised Steve Lindseth of your additional inquiry concerning the ownership of CPR Limited Partnership. Steve was somewhat distressed that you chose to contact me and not him directly, and has advised me that, to the extent you have further inquiries, you should direct them to him in writing for response. Steve's feelings are, in part, motivated by a desire not to "run up a legal bill" on what he believes are matters which have been adequately addressed and are extraneous to his current business.

Notwithstanding the foregoing, Steve did authorize me to confirm to you that CPR Prompt, L.L.C. (d/b/a Complient), as the successor by assignment from County Line Limited, L.L.C., is the 99% general partner of CPR Limited Partnership, with the remaining 1% being owned by an affiliate named Catalog Products, Inc. As indicated in my previous correspondence, the License Agreement with CPR Prompt Corporation has been appropriately assigned to CPR Limited Partnership and if and when a transaction involving a sale of that entity occurs the 7.5% provision will be addressed.

I hope the foregoing is helpful, and I suggest that any further inquiries be directed as requested by Steve.

Very truly yours,

Scott R. Wilson

SRW:jb
cc: Steven W. Lindseth

{JB2189.DOC;1}

EXHIBIT "4"

EX-99.1 5 dex991.htm PRESS RELEASE

EXHIBIT 99.1

CARDIAC SCIENCE

Contact: Matt Clawson (Investors), or
Len Hall (Media)
Allen & Caron Inc
(949) 474-4300
matt@allencaron.com
len@allencaron.com

Roderick de Greef
Chief Financial Officer
Cardiac Science. Inc.
949-797-3800
rdegreef@cardiacscience.com

CARDIAC SCIENCE RAISES $12.4 MILLION IN PRIVATE PLACMENT LED BY PERSEUS

IRVINE, CA (July 21, 2004)...Cardiac Science, Inc. (Nasdaq: DFIB), a leading manufacturer of life-saving automatic public access defibrillators (AEDs) and provider of comprehensive AED/CPR training and program management services, today announced that it has completed a private placement of common stock and warrants raising approximately $12.4 million in gross proceeds. The financing was led by Perseus, LLC, a current investor in the Company.

The transaction involved the sale of 5.22 million newly-issued shares of Cardiac Science common stock at a price of $2.37 per share. The share price was based on the closing bid price of the Company's common stock as quoted on the Nasdaq National Market on Monday, July 19. In addition to the common stock, the Company issued the investors five-year warrants to purchase up to an aggregate of 2.09 million shares of common stock with an exercise price of $2.84 per share.

Proceeds of the offering will provide additional working capital for the Company and fund product development initiatives.

The securities issued in the private placement have not been registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration under the Securities Act and applicable state securities laws or an applicable exemption from those registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy any of the Company's securities.

About Cardiac Science

Cardiac Science develops manufactures and markets the Powerheart®-brand, automatic public access defibrillators (AEDs), and offers comprehensive AED/CPR training and AED program management services that facilitate successful deployments. The Company also makes the Powerheart® CRM™, the only FDA-cleared therapeutic patient monitor that instantly and automatically treats hospitalized cardiac patients who suffer life-threatening heart rhythms. Cardiac Science also manufactures its AED products on a private label basis for other leading medical companies. For more information please visit www.cardiacscience.com or call 1.949.797.3800.

This news release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, from time to time the Company, or its representatives, have made or may make forward looking statements orally or in writing. The words "estimate", "potential", "intended", "expect", "anticipate", "believe", and similar expressions or words are intended to identify forward looking statements. Cardiac Science cautions that these statements are subject to substantial risks and uncertainties and are qualified by important factors that could cause actual results to differ materially from those reflected by the forward-looking statements and should not be relied upon by investors when making an investment decision. Information on these and other factors is detailed in the Company's Form 10-K for the year ending December 31, 2003, subsequent quarterly filings, and other documents filed by the Company with the Securities and Exchange Commission.

\# # # #

8-K 1 d8k.htm FORM 8-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 8-K

Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported)
July 20, 2004

CARDIAC SCIENCE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**0-19567**	**33-0465681**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

1900 Main Street, Suite 700 **Irvine, California**	**92614**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (949) 797-3800

N/A
(Former name or former address, if changed since last report.)

4.6 No Actions. Other than as described in the Company's SEC Filings, there are no legal or governmental actions, suits or proceedings pending or, to the Company's knowledge, overtly threatened to which the Company or its Subsidiaries are or may be a party or of which property owned or leased by the Company or its Subsidiaries are or may be the subject, or related to environmental or discrimination matters, which actions, suits or proceedings, individually or in the aggregate, might prevent or might reasonably be expected to materially and adversely affect the transactions contemplated by this Agreement or result in a Material Adverse Change; and no labor disturbance by the employees of the Company exists, to the Company's knowledge or is imminent which might reasonably be expected to have a Material Adverse Effect. Neither the Company nor its Subsidiaries is a party to or subject to the provisions of any material injunction, judgment, decree or order of any court, regulatory body administrative agency or other governmental body.

4.7 Properties. The Company and each of its Subsidiaries has good and marketable title in fee simple to all real property and good and marketable title to all personal property reflected as owned by them in the consolidated financial statements included in the Company's SEC Filings. Such property is not subject to any lien, mortgage, pledge, charge or encumbrance of any kind except (i) those, if any, reflected in such consolidated financial statements (including the notes thereto), or (ii) those which are not material in amount and do not adversely affect the use of such property by the Company or its Subsidiaries. Any property or building held under lease by the Company or its Subsidiaries is held under valid, existing and enforceable leases, free and clear of all liens, encumbrances, claims, and defects except such as would not have a Material Adverse Effect. Except as disclosed in the Company's SEC Filings and except for the property referred to in Section 4.8, each of the Company and its Subsidiaries owns or leases all such properties as are necessary to its operations as now conducted.

4.8 Proprietary Rights. Except as disclosed in the Company's SEC Filings, (i) to the Company's knowledge, the Company has filed for or holds rights, licenses or options for the inventions, patent applications, patents, trademarks (both registered and unregistered), trade names, copyrights and trade secrets necessary for the conduct of the Company's business as currently conducted (collectively, the "Intellectual Property"); and (ii) to the Company's knowledge (for each of the following subsections (a) through (e)): (a) there are no third parties who have any ownership rights to any Intellectual Property that is owned by, or has been licensed to the Company for the products described in the Company's SEC Filings in the case of any business the Company has or intends to conduct during the year ending December 31, 2004 that would preclude the Company from conducting its business as currently conducted and as the Company's SEC Filings indicates the Company contemplates conducting; (b) there are currently no sales of any products that would constitute an infringement by a third party of any Intellectual Property owned, licensed or optioned by the Company; (c) there is no pending or threatened action, suit, proceeding or claim by others challenging the rights of the Company in or to any Intellectual Property owned, licensed or optioned by the Company, other than claims which would not be reasonably expected to have a Material Adverse Effect; (d) there is no pending or threatened action, suit, proceeding or claim by others challenging the validity or scope of any Intellectual Property owned, licensed or optioned by the Company, other than claims which would not be reasonably expected to have a Material Adverse Effect; and (e) there is no pending or threatened action, suit, proceeding or claim by others that the Company infringes or otherwise violates any patent, trademark, copyright, trade secret or other proprietary right of others, other than claims which would not be reasonably expected to have a Material Adverse Effect.

IN WITNESS WHEREOF, the undersigned have executed, or have caused to be executed, this Amended and Restated Registration Rights Agreement on the date first written above.

Cardiac Science, Inc.

By:

Name:

Title:

Investors:

Perseus Market Opportunity Fund, L.P.

By:

Name:

Title:

c/o Perseus, L.L.C.
888 Seventh Avenue, 29th Floor
New York, New York 10106
Telecopier No.: 212-651-6399
Attention: Ray E. Newton, III

Winterset Master Fund, L.P.

By: Babson Capital Management LLC, as Investment Manager

By:

c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Telecopier No.:
Attention:

Mill River Master Fund, L.P.

By: Babson Capital Management LLC, as Investment Manager

By:

c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Telecopier No.:
Attention:

Massachusetts Mutual Life Insurance Company

By: Babson Capital Management LLC, as Investment Manager

By:

c/o Babson Capital Management LLC
1500 Main Street, Suite 2800
Springfield, MA 01115
Telecopier No.:
Attention:

Walter Villiger

Telecopier No.:

EXHIBIT "5"

Table of Contents

6. Other Assets

In July 2002, the Company entered into preliminary negotiations regarding a possible transaction with Medical Research Laboratories, Inc. ("MRL"), a privately-held medical device manufacturer. The Company made an initial investment in the common stock of the manufacturer in the amount of $1,000 and placed $2,001 into an escrow account pending the outcome of further negotiations. On December 3, 2002, the Company filed a Complaint in Orange County Superior Court against Medical Research Laboratories, Inc. ("MRL") alleging declaratory relief and breach of contract arising out of a July 29, 2002 letter of intent entered into between the parties. The Company alleged that MRL failed to comply with certain conditions of closing set forth in the letter of intent whereby the Company would acquire all of MRL's stock. MRL filed a cross-complaint, also seeking breach of contract and declaratory relief arising out of the same letter of intent. On February 25, 2003, the Company filed suit against MRL for patent infringement in the United States District Court for the District of Minnesota. The Company alleged that MRL's LifeQuest JumpStart AED infringed the Company's patented disposable electrode pre-connect technology. The Company settled both law suits with MRL on June 24, 2003. Under the terms of the confidential settlement agreement, the Company received a settlement amount from MRL and MRL received the right to license two of the Company's patents for additional royalties.

On December 18, 2000, the Company entered into a non-binding letter of intent to acquire Inovise Medical, Inc., a privately held Oregon based corporation, which potential acquisition was terminated in February 2001. In connection with this proposed transaction, the Company advanced funds for a bridge loan to support working capital requirements. The bridge loan was collateralized by all assets of Inovise, excluding certain receivables from royalty payments, accrued interest at 6% and was convertible into equity of Inovise. The total amount advanced to Inovise was $1,038. In February 2002, the Company's convertible bridge loan was converted into 13,000,000 shares of Inovise's Series D convertible preferred stock. As there is currently no market for these shares and there is no foreseeable recovery of the initial investment, the Company has determined that these shares have no value. Accordingly, the Company was fully reserved for this investment at December 31, 2003 and 2002.

7. Accrued Expenses

Accrued expenses consist of the following as of December 31:

	2003	2002
Accrued warranty	$ 836	$1,604
Accrued commissions	961	694
Accrued lease obligations and deferred rent	1,895	—
Accrued plant closure cost and severances	209	2,122
Accrued accounts receivable factoring costs	—	366
Accrued bonus	315	360
Accrued vacation and payroll tax	965	716
Accrued other expenses	1,361	1,326
	$6,542	$7,188

8. Business Combinations

Complient Corporation

On October 21, 2003, the Company acquired substantially all of the assets and certain liabilities of Cleveland-based Complient Corporation, a privately-held company that is the nation's leading independent provider of AED and CPR training and comprehensive AED program management. As consideration, the Company issued to Complient 10,250,000 shares of its

Table of Contents

common stock. The common stock is subject to a lock-up agreement and a general indemnification escrow. The resale of the shares will be registered with the Securities and Exchange Commission and 1,325,000 shares will become available for resale on the effective date of the registration statement. The balance of the shares issued are subject to a lock-up agreement pursuant to which they will be released from the "lock-up" in 12 equal monthly installments of 743,750 shares, beginning on the effective date of the registration statement.

The acquisition was accounted for as a purchase under SFAS No. 141, *Business Combinations*. In accordance with SFAS No. 141, the Company allocated the purchase price based on the fair value of the assets acquired and liabilities assumed. Portions of the purchase price, including intangible assets, were identified by an independent appraiser. These intangible assets include approximately $42.5 million for goodwill, $2.9 million in customer relationships, $726 for covenants not to compete, and $128 for custom-developed software. The customer relationships are being amortized over 7 years, and the covenants not to compete and the software are being amortized over 3 years.

The components of the purchase price allocation are as follows:

Purchase Price:	
Stock consideration (10,250,000 shares @ $4.42/share)	$45,305
Acquisition costs	894
Total	$46,199
Allocation of Purchase Price:	
Current assets	$ 2,569
Property and equipment, net	2,685
Current liabilities	(3,053)
Deferred revenue	(2,257)
Customer relationships	2,907
Covenants not to compete	726
Software	128
Goodwill	42,494
Total	$46,199

The following unaudited pro forma data summarizes the results of operations for the periods indicated as if the Complient acquisition had been completed as of the beginning of the periods presented. The pro forma data gives effect to actual operating results prior to the acquisition, adjusted to include the pro forma effect of amortization of identified intangible assets and the elimination of sales to Complient prior to the acquisition.

	2003	2002
	(unaudited)	
Net sales	$ 70,069	$ 62,629
Net loss	$ (15,493)	$ (20,061)
Pro forma net loss per share (basic and diluted)	$ (0.20)	$ (0.26)
Pro forma weighted-averaged shares	78,104,179	77,449,419

Lifetec Medical Limited

On May 29, 2003, the Company acquired Lifetec Medical Limited, its U.K. distributor. The purchase price was $383 in cash and $61 in acquisition costs. The acquisition was accounted for as a purchase under SFAS No. 141. The Company allocated the purchase price based on the fair value of the assets and liabilities assumed. Current assets acquired were valued at